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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

JUL - 5 1995

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

In the Matter of )  
 )  
Local Exchange Carriers' Rates, ) CC Docket No. 94-97, Phase I  
Terms, and Conditions for Expanded )  
Interconnection Through Virtual )  
Collocation for Special Access and )  
Switched Transport )

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CLARIFICATION OF AMERITECH

Ameritech<sup>1</sup> submits this clarification with respect to the Commission's comments in its recent order in this docket<sup>2</sup> concerning Ameritech's position on the issue of a reasonable level of "overheads" in interconnection rates.

The Common Carrier Bureau, in its designation order,<sup>3</sup> provided a vehicle for discussion of the comparison of overhead loadings assigned to interconnection services with the "overhead loadings" assigned to comparable services. As indicated in Ameritech's filings, there are no overhead loadings as such applicable to "comparable" Ameritech DS1 and DS3 services. Rather, there is just "margin." That being the case, Ameritech noted also that, if the Commission's concern is to preclude a "price squeeze" situation, that concern can be satisfied by simply

<sup>1</sup> Ameritech means: Illinois Bell Telephone Company; Indiana Bell Telephone Company, Incorporated; Michigan Bell Telephone Company; The Ohio Bell Telephone Company; and Wisconsin Bell, Inc.

<sup>2</sup> In The Matter of Local Exchange Carriers' Rates, Terms, and Conditions for Expanded Interconnection Through Virtual Collocation for Special Access and Switched Transport, CC Docket No. 94-97, Report and Order, FCC 95-200 (released May 11, 1995) ("Order").

<sup>3</sup> In the Matter of Local exchange Carriers' Rates, Terms and Conditions for Expanded Interconnection Through Virtual Collocation for Special Access and Switched Transport, CC Docket No. 94-97, Phase I, Order Designating Issues for Investigation, DA 95-374 (released February 28, 1995).

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prohibiting a situation in which the competitive service recoups less than all of its direct cost plus a contribution to common costs in a dollar amount equivalent to that burden that is placed on an “equivalent amount” of interconnection service.<sup>4</sup>

The Commission correctly noted Ameritech’s position in the Order.<sup>5</sup>

However, the Commission then went on to state:

SWB’s and Ameritech’s argument appears to amount to a request that we permit LEC to assess a “contribution charge,” or a rate compensating LECs for lost revenues due to migration of special access customers to competitors’ services.<sup>6</sup>

To the extent that Ameritech and SWB are proposing a contribution charge for virtual collocation services, we conclude that these LECs have failed to demonstrate the existence of any such support flows.<sup>7</sup>

Ameritech wishes to make it clear that, in its comments, it was not necessarily arguing for the propriety of a “contribution” charge. Rather, the primary concern of the Commission in this analysis is “the potential for LECs to engage in anticompetitive behavior by the assignment of overheads.”<sup>8</sup> Because of this, Ameritech believed it appropriate to point out that an anticompetitive price squeeze situation cannot exist if the “overhead loading” on interconnection services is, in dollar amount, no greater than the margin on “comparable services.” In fact, Ameritech asked the Commission to permit “the assignment of average overhead

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<sup>4</sup> See, Direct Case of Ameritech at 7.

<sup>5</sup> Order at ¶¶ 52, 67.

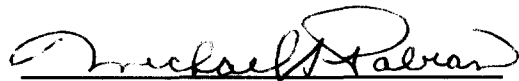
<sup>6</sup> Id. at ¶ 68.

<sup>7</sup> Id. at ¶ 69.

<sup>8</sup> Id. at ¶ 75.

loadings for virtual collocation services" as long as Ameritech's proposed comparison standard is met.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael S. Pabian", written over a horizontal line.

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Dated: July 5, 1995

CERTIFICATE OF SERVICE

I, Deborah L. Thrower do hereby certify that a copy of the foregoing Clarification of Ameritech has been served on all parties listed on the attached service list, by first class mail, postage prepaid, on this 5th day of July 1995.

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